U.S. Federal Crop Insurance Corporation.

SALES HANDBOOK

1949 Federal Cotton Crop Insurance

(Commodity Coverage Program)

CONTENTS

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
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Obtaining maximum participation -- the job of the sales agent -- is one of the most important activities in the handling of the Federal Crop Insurance Programs, an all-risk crop insurance program backed by the United States Government.

Producers sign applications because they want Federal Crop Insurance protection. For the producer to want a policy, he must understand that it is a sound business proposition and how it operates. The salesman's job is to accurately provide the producer with this information, answer his questions regarding it and get his signature at the time, if possible, or very soon if he definitely wants to "think it over" or "talk it over" before signing an application. Many sales that have really been made on the first contact are lost by failure to re-contact the prospect.

YOU CAN DO A GOOD JOB

It is not a difficult job to sell Federal Crop Insurance. Successful selling requires an understanding of the program and what it offers the individual, enthusiasm for its value this year and every year and enough drive to keep at it until you hit your stride if you obtain few or no signatures at the start of your sales efforts. Some who could have developed into outstanding crop insurance salesmen have given up after contacting 5, 10 or 20 prospects, convinced that "they can't sell it", and before the closing date a majority of those that they contacted have signed applications.

You will be doing every person who signs an application a real favor so you have reason to be aggressive in your efforts to get his signature on an application. You are offering him a sound business proposition -- protection of his investment that is not otherwise available to him. Your job is to convince him that it is good business to increase his operating costs slightly in order to apply to his farming operation the basic principle

that other businessmen have been using for many years — the sound principle of protecting their investment so that if the enterprise fails to return a profit it does not destroy their investment too.

YOU SELL PROTECTION

Profit in farming must come from good crops. Crop insurance protects the money and labor that the farmer invests in trying to make a crop. The cost for this protection adds only slightly to his farm operating expense for the year.

With Federal Crop Insurance a cotton farmer can stabilize his operations. The small farmer can be sure that crop disaster will not put him out of business and the prosperous cotton farmer can protect his bank account. It is sound business to protect what you have, whether loss of your investment will mean failure to pay the lending agency that has financed your operation or less money in your bank account.

This protection is worth every cent it costs and more. Crop disaster can strike any farmer. As long as crops are planted under the open sky and man cannot control the elements, the producer who says that "Crop losses can't strike me" or "I would never make that little" is speaking more from the standpoint of wishful thinking than certainty and frequently is forgetting the years when crop failure did strike him.

The producer who does not have crop insurance takes an unnecessary gamble on his investment in the crop. The producer who carries crop insurance every year and never suffers a loss is, of course, better off than the producer who collects indemnities. Crop insurance provides protection that the farmer should have every year. Insurance on buildings, automobiles or lives is not bought with the hope of collecting on them but as protection against what might happen. Crop insurance should be carried every year with the same attitude.

KNOW YOUR PRODUCT

The first essential is to know your product. You must have the answers and the reasons or you may find the prospect, rather than you, leading the conversation. This means that you should familiarize yourself with the provisions of the policy.

In the following pages you will find an explanation of the major program provisions and suggestions for presentation. You should read the policy and get the answers from the county office on any provisions not clear to you. If you understand the policy, you will have the answers to questions asked by your prospects and will develop your own sales talk which will be your most effective approach.

BE ACCURATE

Coverages and premium rates per acre have been established by areas in the county. An area includes that land on which there is reasonable uniformity of productivity and risk of loss and all land classified in an area has the same coverage and premium rate per acre. The applicant must be furnished correct information regarding his coverage and premium rate. This will not be difficult when his land all lies in one area, but it will require very careful attention to accurately inform the producer who has land in two or more areas.

The program should be presented in sufficient detail so that there will be no misunderstanding later of the important provisions of the policy or the amount of protection. Any erroneous information given the producer by you will not change the provisions of the contract. The only result will be loss of confidence in you and dissatisfaction with the Crop Insurance Program.

PROGRAM PROVISIONS

PROTECTION PROVIDED A Federal Crop Insurance policy provides broad protection of the producer's investment. It covers loss in yield of lint cotton while in the field due to unavoidable causes such as drought, flood, hail, wind, frost, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation and plant disease.

It is protection against the production risks that man cannot control. Point out that it does not cover losses resulting from avoidable causes such as neglect, poor farming practices, or failure to poison for insects where practicable. (The exceptions applicable in irrigated areas should be thoroughly explained in those areas.)

The protection begins when the cotton is planted and normally ends when the crop is harvested.

WHO MAY APPLY An application may be filed by a landlord, owner-operator, tenant or sharecropper to cover only his interest at planting time in all insurable acreage of American Upland cotton in the county. If the application is accepted, a policy will be mailed the applicant.

Separate applications must be submitted by a person who desires insurance on farms operated in a personal capacity and on farms operated by him in a fiduciary or representative capacity. Also, separate applications must be submitted by each person who desires insurance on farms operated in an individual capacity and on other farms operated by a partnership in which he is a partner.

ACREAGE INSURED The policy will cover all insurable acreage in the county in which the applicant has an interest in the crop at the time of planting. Only acreage for which a coverage and rate has been established is insurable.

Even though a coverage and rate has been established, there will be no insurance on (1) any acreage planted to cotton which is destroyed or substantially destroyed before it is too late to

replant and is not replanted, (2) any acreage planted to cotton after a small grain crop has reached the heading stage the same crop year, (3) any land the first year after clearing or in irrigated sections the first year after major leveling, and (4) any acreage planted to cotton too late to expect to produce a normal crop.

INSURANCE UNITS One policy covers all of the insured's farming operations in the county, whether he has one farm or several farms. Losses under the policy are, however, determined and settled separately on an insurance unit basis. In determining the acreage which constitutes an insurance unit, it is necessary to consider producers in four groups -- owner-operator, landlord, share tenant and sharecropper.

Land rented for cash or for a fixed commodity payment is considered as owned by the lessee. Here is the way to determine insurance units.

(1) For an owner-operator, all insurable acreage in which he has 100-percent interest in the crop plus any acreage owned by him and worked for him by sharecroppers is one insurance unit. (An applicant could have only one unit of this type.)

(2) For a landlord, all insurable acreage owned by him and rented to one share tenant is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) For a share tenant, all insurable acreage owned by one person and operated by the share tenant with his own labor, wage hands or sharecroppers is one insurance unit. (A share tenant would have as many units of this type as he has landlords.)

(4) For a sharecropper, all insurable acreage in a county worked by him and owned by one person is one insurance unit. (If a sharecropper has cotton acreage on separate farms rented by a share tenant from different

owners, the acreage on each farm would constitute an insurance unit.)

Find out the producer's intended farming operations so that you can determine how many insurance units he has and can explain his coverage for each.

FIXED PRICE The fixed price for the 1949 crop year for your county is ______¢ per pound. The fixed price established for the county each year will be 90 percent of the cotton parity price for November 15 of the preceding year, with differentials for grade, staple and location.

The number of pounds computed as premium multiplied by this price will be the cash amount of premium that the insured will pay.

The number of pounds approved for an indemnity multiplied by this price will be the cash amount of indemnity that an insured will receive.

AMOUNT OF COVERAGE Insofar as possible you should know the coverage for the prospect's farm before you begin your talk with him so that you can be specific regarding the protection available to him without allowing your presentation to suffer a "cooling off period" while you are looking it up. You will be furnished lists or maps from which this information can be obtained.

In determining the insurance units for his operation, you have also learned the number of acres he intends to plant and his interest in the crop. Figure out his coverage. Don't quote the coverage as so many pounds of cotton per acre and stop there. It's a much better approach to work out the coverage for each insurance unit and then show him the coverage for his entire operation.

The coverage per acre (fourth stage) times the number of acres to be planted times the interest in the crop will give his maximum protection in pounds for each insurance unit. You should then multiply this coverage by the fixed price to show the producer the approximate dollar value of the coverage.

Point out to him how his coverage increases in four progressive stages as his investment in the crop increases. The four stages are:

<u>First stage</u> - From the time it is too late to replant until the first cultivation.
<u>Second stage</u> - From the time of the first cultivation until laying by.
<u>Third stage</u> - From the time the crop is laid by until harvest begins.
<u>Fourth stage</u> - After harvest.

Where any acreage is destroyed or substantially destroyed prior to harvest, the stage of production reached at the time such damage occurs will determine the coverage for such acreage.

Remember, Federal Crop Insurance protects the investment -- it is not intended to insure profit. Protecting what is invested is good business.

<u>PREMIUM</u> Figure out your prospect's premium for 1949 based on his intended acreage. While you are computing it, point out, if your prospect is a taxpayer, that he may include the premium as a farm operating expense on his income tax return and thereby reduce the net cost for this protection by the percent of the income tax bracket he's in. For some people this will mean a substantial saving.

The premium is determined by multiplying (a) the insured acreage, by (b) his interest in the crop, by (c) the premium rate, by (d) the fixed price.

Where any of the following are applicable, the premium computed as above will be reduced accordingly:

1. There is a percentage reduction where the insured acreage for a unit is 50 acres or more. Figure this reduction from the table on page 12.

2. The premium for an insurance unit cannot exceed 50 percent of the coverage for the unit. As a rule this is applicable only in cases of early release of acreage in low coverage areas.

3. If the contract provides for partial

insurance protection, the premium will be reduced one-half.

The maturity date of the premium note, which the insured executes when he signs an application, is shown in Section 32 of the policy. Know this date so you can tell the prospect when the premium will be due. The premium can be determined as soon as he files an acreage report and can, of course, be paid earlier than the due date. If he doesn't pay it earlier, a premium notice will be mailed him shortly before the maturity date.

Emphasize the fact that crop insurance is offered at minimum cost. Premiums paid by farmers are used only to pay losses to insured producers. Administrative costs of operating the program are provided by Congress as a service to farmers. No other form of all-risk protection is available to cotton producers -- but if it were, the cost would be higher because premiums would have to allow for profit, payment of salaries, and other expenses. County experience resulting in the accumulation of an adequate reserve will make lower premium rates possible.

LOSSES An indemnity is payable if the total production for an insurance unit is less than the total coverage. The number of pounds of cotton approved as indemnity will be multiplied by the fixed price and a check will be issued the insured promptly after the loss claim is approved.

The amount of loss in pounds for an insurance unit is determined by multiplying the insured acreage by the coverage per acre and subtracting the total production. The loss for the insured is then determined by multiplying the loss for the insurance unit by his interest in the crop. If the contract provides for partial insurance protection, the amount of loss will be one-half of this.

Total production includes (1) all cotton harvested on the unit, (2) any cotton left in the field, (3) any appraised production on acreage released in the third stage, (4) any appraised production in excess of the coverage for acreage released in the second stage, and (5) any cotton lost from causes not insured against. There is no appraisal on acreage released in the first stage.

Tell the producer who has signed an application that loss reports should be made to the county office in writing. Advise him that any material damage to the insured crop must be reported immediately after the damage occurs and that a loss must be reported immediately after harvest is completed. Caution him that damaged cotton acreage must not be put to another use until it is released in writing by an adjuster and that he should request such release through the county office.

OTHER IMPORTANT POINTS

Term of Contract -- The contract continues in force for each crop year until cancelled by the insured or by the Corporation. Either party may cancel the contract on or before the January 31 preceding the crop year for which the cancellation is to be effective. The majority will want their cotton investments protected every year so that they will have the protection if crop disaster strikes. With this contract it will not be necessary to make a new application each year in order to have Federal Crop Insurance protection. If changes are made in the contract the insured will be advised of such changes in advance of the cancellation date.

Co-signers -- All applicants who are classified as sharecroppers (producers who do not own their workstock and equipment) must have a co-signer to the premium note. The county office will instruct you regarding other producers who must also have a co-signer. The co-signer should understand that he is a surety of the 1949 premium payment only and is in no other way a party to the contract. He should be a landlord, furnishing merchant, or other responsible person and should sign in the space provided in item G of the application.

Collateral Assignment -- The credit value of crop insurance protection has been very important to many producers. It strengthens any producer's credit because it stabilizes his operation. The original insured may assign his right to any indemnity as collateral for a loan or other obligation by executing Form FCI-20, "Collateral Assignment", and filing it at the county office.

Transfer of Interest -- If a growing crop is transferred before the beginning of harvest, any indemnity will be payable to the person or persons to whom the transfer is made providing the premium has been paid or immediately after the transfer suitable arrangements are made by the transferee for payment of the premium. A transferee cannot make a collateral assignment.

Hail Insurance -- The amount of a Federal Crop Insurance indemnity will not be reduced because the farmer also carries hail insurance. Hail insurance and Federal Crop Insurance are not competitive. Hail insurance covers only the one risk, while Federal Crop Insurance covers essentially all unavoidable risks.

FILLING OUT APPLICATION

PREPARATION OF FORM

The applicant's name should be printed in the space provided at the top of the form exactly as it is signed. If you follow the very good practice of filling out the form before you urge the producer to sign, you will want to ask how he signs his business papers.

Enter "Yes" or "No" in item D to indicate whether the applicant desires partial insurance protection.

Enter the date of the applicant's signature in item G. You should sign as witness to the applicant's signature. If the applicant's signature is by mark, the signature of a second witness must be obtained if the county office has so instructed you.

Enter in the box at the bottom of the application information as to the location of the farm(s) of the applicant or his headquarters and his telephone number if he has one. This information is for future use in servicing the contract and should be such that it will assist an adjuster in locating the farm(s) or the place where the applicant can be contacted. This does not mean that the insurance is limited to such farms.

SIGNATURES

Applications should be signed with indelible pencil or ink and must be handwritten, not printed. Signatures should include at least one given name, an initial, if any, and the surname.

When a person signs in a representative capacity he must show (1) the name of the principal for whom he is acting, (2) his own signature, and (3) the capacity in which he signs.

Following are some examples of signatures correctly affixed:

1. As an individual:
   a. John T. Smith
   b. J. Thomas Smith
   c. Mary L. Smith

2. As agent:
   a. John T. Smith, by Henry O. Brown, Agent
   b. Smith and Jones, a Partnership, by George E. Miles, Agent

3. As member of partnership:
   a. Smith and Jones, by John T. Smith, a partner

The above types of signatures cover most cases. If you should obtain an application with a signature that you are doubtful about, call this to the attention of the county office. Should you need additional information regarding the correct manner of affixing a signature, you may obtain it at the county office.

YOUR SALES REPORT

You are required to make regular reports of contacts and sales to the county office on the form that they furnish you.

Information needed for your sales report includes (1) name of each person contacted, (2) date contacted, (3) number of insurance units covered by each application signed, and (4) reason application not signed and whether you will re-contact him.

PREMIUM REDUCTION TABLE

The following table shows the amount of reduction in annual premiums where the insured acreage on an insurance unit is 50 acres or more:

TABLE

Acreage	Percent Reduction
0 - 49.9	0
50 - 99.9	2
100 - 149.9	4
150 - 199.9	6
200 - 249.9	8
250 - 299.9	10
300 - 349.9	12
350 - 399.9	14
400 - 449.9	16
450 - 499.9	18
500 - over	20